

October 27, 2003

Dear Sir or Madam,

As you are aware, the proposal for the Basel II Accord (internal model for determining capital requirements) has a comment period that ends on November 3, 2003.

Our CEO/President, Kathleen E Marinangel, has been working to inform the regulators, banking trade groups, the Basel committee, the Treasury and others of the importance of this pending proposal to community banks. As an employee of McHenry Savings Bank in McHenry, Illinois, I agree wholeheartedly with the following messages:

- Community banks must be allowed to 'Opt-In' to the new proposed Basel II Accord, and
- The Basel I Accord as adopted in 1988 must be revised to more truly reflect asset risk for those institutions that choose not to 'Opt-In' to Basel II.

It is critical that community banks are not forced to adopt the Basel II Accord as proposed. Community banks must be allowed to 'Opt-In' to this new proposal. The New Accord is trying to more closely link minimum capital requirements with an institution's risk profile. Community banks must retain the option to leverage their capital, regardless of the complexity of the calculations to prove their risk-worthiness. Small institutions will be at a competitive disadvantage to the extent that they cannot deploy capital as efficiently as larger, more sophisticated institutions.

If capital requirements are changed and new options are developed, institutions should be allowed to choose between developing their own internal risk rating systems or maintaining a modified risk based system with more buckets and division of assets to quantify risk more appropriately.

Sincerely,

Karl Truty
Loan Officer